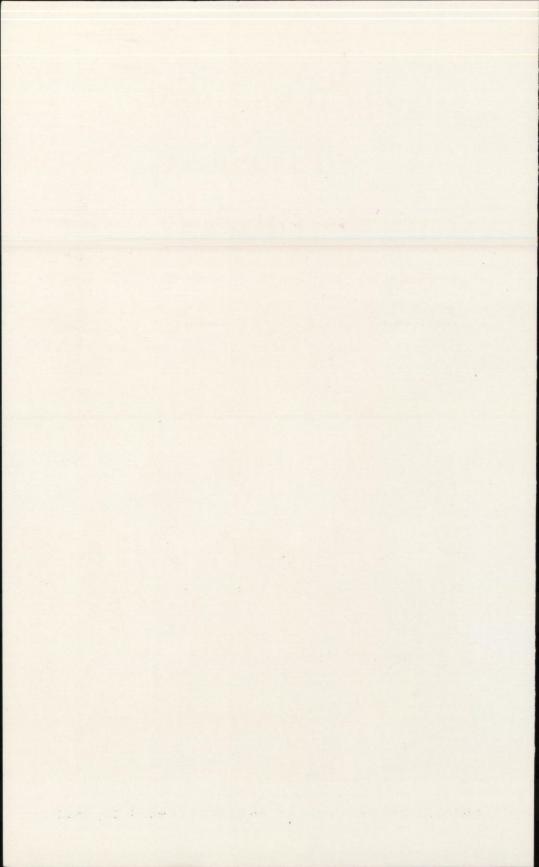
NORTHERN OHIO CORPORATION FILE

TELEPHONE

COMPANY



1953 ANNUAL REPORT . YEAR ENDED DECEMBER 31, 1953



NORTHERN OHIO TELEPHONE COMPANY

117 North Sandusky Street • Bellevue, Ohio

Board of Directors

ALLAN G. AIGLER Bellevue, Ohio

JOHN A. AIGLER Bellevue, Ohio

CHARLES H. CAMPBELL Ashland, Ohio

ROBERT T. CAMPBELL Galion, Ohio

HERBERT A. ERF Shaker Heights, Ohio

ALICE KNAPP HENRY Shaker Heights, Ohio

CHARLES A. HENRY Bellevue, Ohio

WM. C. HENRY Norwalk, Ohio

IRA L. PORTER Oberlin, Ohio

HERMANN H. THORNTON East Lansing, Michigan

FRED W. UHLMAN Bowling Green, Ohio

DUDLEY A. WHITE Norwalk, Ohio

FRED G. WILLIAMSON Bellevue, Ohio

JOHN E. WISE Norwalk, Ohio

Officers

Chairman of the Board—Allan G. Aigler

President and General Manager—Wm. C. Henry

Vice President—John E. Wise

Secretary and Treasurer—William H. Todd



Line Construction at Bellevue

A large part of this Company's accomplishments are due to the efforts of its many employees. The illustrations in this year's Annual Report depict typical employees in the performance of their duties of providing communications for the public in the area we are privileged to serve.

Annual Report for the Year 1953

To The Shareholders:

The two most significant accomplishments of the year 1953 were an increase in the level of our earnings and substantial progress toward the provision of adequate quantities of central office and outside plant facilities to properly meet our service requirements.

When W.P.B. restrictions for the Communications Industry were lifted January 1, 1946, our Company served 36,408 telephones, and had on hand almost 5,000 applications from people who desired service. In the eight years that followed we experienced a continuing demand for new telephones that resulted in a net gain of 30,775 stations. In addition the purchase and merger with this Company of five other telephone companies added 16,110 stations. This large increase in number of telephones, coupled with an aggressive program of improvement in service, has required additional sums of new capital each year.

Over the eight years beginning with 1946, net additions to property and plant have amounted to \$9,276,244.59, with a further amount of \$4,245,020.60 added by reason of properties purchased. Bonds and preferred stock were sold at intervals to provide the additional funds required. The ability of this Company to continue to secure new capital on favorable terms depends upon our maintaining a satisfactory level of earnings.

On April 16, 1953 our application for a repricing of local exchange telephone service at all exchanges, which had been filed June 1 of the preceding year, received the approval of the Ohio Regulatory Authority. The increase, on an annual basis, amounts to approximately \$740,000 before taxes, and has restored our earnings to a more nearly satisfactory level. This will make possible the sale of additional securities required for continued expansion and improvements.

One of our most persistent problems has been that of expanding our central office and outside plant facilities fast enough to take care of new applicants, and at the same time improve the character of our existing service. Although we have not yet restored normal margins of plant, sufficient amounts of central office equipment are being installed to

take care of present requirements. The program of converting all manual service to automatic or dial operation is going forward, and a substantial proportion of our major construction projects for reinforcement and extension of outside distribution facilities have been either completed or are in process.

Telephones Added

For the year, 3,520 telephones were added, an increase of 4.41 per cent. 724 of these new telephones, or more than one-fifth of the number gained, were rural subscribers. At the end of the year the total number of telephones in service was 83,293, an increase of 128.8 per cent over the past eight years. Held orders at the end of the year were 1,255, with all but 28 of them in rural areas requiring construction work.

	Numb	er of Company	-Owned Telepl	hones	
Jan. 1 1946	Jan. 1 1948	Jan. 1 1950	Jan. 1 1952	Jan.1 1953	Jan. 1 1954
36,408	43,924	65,430	75,453	79,773	83,293

At the year end we operated 64 separate exchanges. Of this number 55 exchanges provided automatic service to 76,108 subscribers, or 91.38 per cent of our total telephones; 6 exchanges serving 5,743 telephones, or 6.89 per cent provided common battery service; and 3 exchanges, with 1,442 telephones, or 1.73 per cent of our total telephones, had magneto service.

Long Distance Calls

Despite a leveling off of the increase in volume of long distance calls in the last few months, our long distance operators completed 5,898,000 toll calls. This is an increase of 7.8 per cent over the previous year, and constitutes another new high in volume of toll calls. In the course of the year the necessary toll dialing equipment was installed in the remaining two of our toll center offices, and all nine of our toll centers now provide operator toll dialing to the network of over 2,500 exchanges in the United States that are similarly equipped. Seventy six per cent of the toll calls made by our subscribers are completed by our long distance operators dialing the distant telephone. We own 6,982 miles of our own toll lines, and more than half of our long distance calls are completed over our own or other connecting independent toll circuits.

Revenues Increased

Total operating revenues for the year were \$5,398,389.67, an increase over the previous year of \$931,016, or 20.8 per cent. Subscribers' station revenues were up \$619,003, of which amount \$490,000 was due to increased exchange rates and \$129,000 was from new telephones added. Toll service revenues increased \$275,947, and directory advertising and sales were up \$31,923.

Expenses and Depreciation

Operating expenses for 1953 amounted to \$2,204,828, and were \$19,732 less than the preceding year. Unusual cyclone and wind-storm damages experienced in 1952 were in an amount that more than equaled the increases in wages of employees in 1953. We were fortunate in experiencing very little storm damage during the year just passed.

The amount which, in the opinion of Management, fairly represents that part of the useful life of our telephone property and plant that was used up or reduced in value during the year, is designated as depreciation. For the past year depreciation amounting to \$633,364.44 was accrued. This was 3.88 per cent of our total depreciable property. At year end the amount accumulated in the reserve for depreciation was \$2,717,918.37, which is 14.3 per cent of the total book value of our property.

Requirement for Taxes

The amount deducted from operating revenues for all taxes paid directly by the Company for 1953 was \$1,451,000.00. The Company's earnings did not require the payment of excess profits taxes, but normal corporate Federal income taxes were \$1,056,437. County, Ohio Excise, P.U.C.O. Maintenance, Unemployment and Old Age Benefit taxes amounted to \$394,563.00. Also the Company collected from its subscribers for Federal excise taxes on local exchange and long distance service, an additional \$1,069,770.08 which was paid into the Federal Treasury. The total amount of all taxes paid by the Company and collected from its subscribers last year amounted to \$30.26 for each telephone in service, and exceeded by more than two and one-half times our net income after fixed charges.



Underground Cable Splicing In Ashland

Earnings

Net income available for bond interest, other fixed charges, dividends and surplus, was \$1,117,201.40, a substantial increase over the previous year, largely by reason of adjusted local exchange rates. Net earnings for the year were 5.87 per cent on the book value of our telephone property and plant.

Fixed charges, including interest on our bonded indebtedness, other interest deduction and amortization of debt service, were \$202,582.35, an increase of some \$42,400 by reason of the issue of \$1,800,000 in 3½ per cent bonds as of November 1, 1952.

Dividends on the three issues of preferred stock were paid in the amount of \$260,820.59. This Company and its predecessor, The Local Telephone Company, have paid dividends in full amount on its preferred stock for more than 53 years. Dividends of \$1.00 per share were declared on the common capital stock with the fourth quarter's dividend paid January 1, 1954.

Earnings remaining for addition to surplus were \$440,798, of which amount \$213,000 was transferred to fixed capital



Cable Spinning Over Maumee River

through the distribution of a 10 per cent common stock dividend to all common shareholders on January 1, 1954.

Condensed Operating Statement						
Year	1946	1948	1950	1951	1952	1953
Revenues	\$1,855,988	\$2,349,522	\$3,741,059	\$4,183,406	\$4,468,811	\$5,406,394
Expenses	726,851	1,234,538	1,642,236	1,857,616	2,224,561	2,204,829
Depreciation	257,745	274,939	451,978	496,536	567,283	633,364
Taxes	432,820	383,724	855,049	1,077,559	993,210	1,451,000
Fixed Charges	61,591	74,243	95,416	134,710	160,120	202,582
Net Income	376,981	382,078	696,380	616,985	523,637	914,619

Additions to Property

Gross additions to telephone plant for the year were \$2,137,195.88, and deductions from plant for property removed were \$772,088.58, leaving a net addition of \$1,365,107.30. Additions to automatic central office equipment, subscribers' stations, pole lines, wire and cable were the major items in a program of continued expansion and improvement. At



Long Distance Service at Medina

year end the book value of our total telephone plant was \$19,033,541.34. It is interesting to note that net additions to telephone property have been \$9,276,244.59 since January 1, 1946, and 48.7 per cent of the total value of our property is less than eight years old.

The Company's investment at year end for each telephone in service was \$228.51. Indicative of increased present day costs, the average expended for each telephone gained in 1953 was \$387.81. The amount invested in fixed plant will continue to increase each year so long as plant constructed in previous years is removed and replaced by new plant at today's costs. This fact, together with increased wages and other operating costs, are the reasons why rates for telephone service must be adjusted upward periodically.

Employees

At the close of the year there were 532 women and 211 men who earned their living by working for this Company. The total of 743 represents an increase of 41 people during the year. Our direct payroll for the twelve months was \$1,838,707.02, which is more than 50 per cent of our total operating expenses, including taxes.



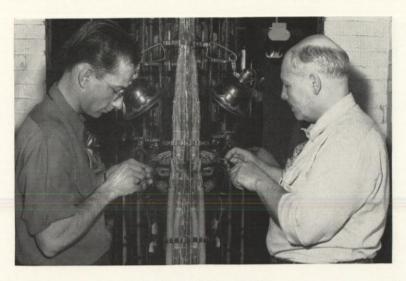
Test Desk at Delaware

In addition to the direct wages in hourly rates paid to employees, the Company paid for the benefit of its employees the sum of \$264,833.50, which is .303 cents for men and .157 cents for women for each hour worked. The largest non-wage labor costs were pension benefit payments of \$113,573, with lesser amounts for life insurance, vacations, holidays not worked, sick leave, old age and survivors' insurance, unemployment and workmens' compensation.

The Management recognizes that a large part of the Company's accomplishments in the year just past is due to the efforts of its employees, and expresses herein its appreciation for their loyalty and conscientious diligence.

Directors Added

The stockholders at their annual meeting on January 26, 1954 increased the number on the Board of Directors to fourteen, and elected six new directors. The new directors are Fred G. Williamson of Bellevue, General Plant Superintendent of the Company for the past fourteen years; Ira L. Porter of Oberlin, President of The Peoples Bank of Oberlin; Charles H. Campbell of Ashland, Assistant District Manager of The Equitable Life Assurance Company; Alice Knapp



Terminating Cables at Seville

Henry of Shaker Heights; John A. Aigler, Bellevue, affiliated with the Company for the past six years as a Commercial Representative; and Charles A. Henry, Bellevue, a member of the Company's Engineering Department for more than two years. All of the former directors and officers of the Company were re-elected.

On February 10, 1954 the authorized capital stock of the Company was increased to 700,000 shares of common stock and 100,000 shares of preferred stock.

Over the Horizon

Last November there was held in Washington a banquet celebrating the Fifty Millionth Telephone installed in the United States. Our population then was 160 million souls, and there was one telephone for each 3.2 people. The U. S. Bureau of the Census estimates that our population will exceed 178 million by 1960. That is an increase of about 11 per cent in number of people in the next six years. When you add to that the accelerated demand for telephone service, the gain in number of telephones between now and 1960 may well be in the nature of 15 to 20 per cent.

What of the following ten years? The Census Bureau thinks the number of people in the United States will exceed 200



Commercial Work at Norwalk

million before we reach the year 1970—and that is only sixteen years close. Assuming a continuation of the same acceptance and demand for our services, the number of connected telephones this Company now has in service will increase by at least 40 per cent between now and 1970, and our present volume of toll traffic will go up by considerably more than 50 per cent.

To properly plan ahead and so operate this Company that it will be in a position to meet the telephone requirements of the people in the territory we serve, will be our constant objective.

Sincerely,

Wm. C. Henry,

President and General Manager

Bellevue, Ohio March 22, 1954

NORTHERN OHIO TELEPHO

COMPARATIVE BALANCE SHEE

ASSETS

Plant and Other Investments Telephone Plant in Service—Note A \$19,033,541.34 \$17,664,75 Comprises land, buildings, rights-of-way, poles, wire, cable, underground conduit, switchboards, telephones, office	
Comprises land, buildings, rights-of-way, poles, wire, cable,	
furniture, vehicles, motor equipment and tools	0.00
Telephone Plant under Construction—at Cost . 88,266.05 97,38	9.82
Unamortized Portion of Organization Expense0- 3,67	6.55
Other Investments	8.70
\$19,194,158.09 \$17,787,55	2.56
Current Assets	
Cash	5.33
Special Cash Deposits and Working Funds 32,603.24 30,60	3.24
United States Government Securities—at Cost . —0— 794,29	5.83
Notes and Land Contract Receivable 17,192.78 5,59	3.21
ACCOUNTS RECEIVABLE	0.11
Materials and Supplies 1,021,924.59 842,28 Principally for construction and maintenance purposes	9.93
\$ 2,157,404.31 \$ 2,370,09	7.65
Deferred Charges	
PREPAYMENTS	0.95
DISCOUNT ON FUNDED DEBT	5.33
\$ 53,944.63 \$ 65,32	7.28
Total Assets	7.49

Note A—Telephone plant in service is stated at amounts fixed by The Public Utilities Commission of Ohio with respect to acquisitions from other companies, and other additions are included at cost as of dates of installation.

MPANY-BELLEVUE, OHIO

Ca

ember 31, 1953, and December 31, 1952

LIABILITIES

	Dec. 31, 1953	Dec. 31, 1952
apital Stock and Surplus		
Capital Stock:		
Preferred Stock, \$100.00 par value:		
5% Class A Preferred Stock (redeemable at \$110.00 per share):		
Authorized 12,000 shares; issued and out-	£ 1 200 000 00	£ 1 200 000 00
standing 12,000 shares	\$ 1,200,000.00	\$ 1,200,000.00
5% Class B Preferred Stock (redeemable at		
\$105.00 per share):		
Authorized 16,000 shares, issued and out-	1 217 200 00	1 170 100 00
standing 12,163 shares	1,216,300.00	1,179,400.00
4½% Preferred Stock (redeemable at \$105.00		
per share):		
Authorized 30,000 shares; issued and out-	2 000 000 00	2 000 000 00
standing 20,000 shares	2,000,000.00	2,000,000.00
41/4% Preferred Stock (redeemable at \$105.00		
per share):		
Authorized 12,000 shares; issued and out-	1 200 000 00	1 200 000 00
standing 12,000 shares	1,200,000.00	1,200,000.00
Common Stock, without par value:		
Authorized 300,000 shares; issued and outstanding		
234,300 shares including 21,300 shares to be	2 2 42 000 00	2 120 000 00
issued on January 1, 1954, as a stock dividend.	2,343,000.00	2,130,000.00
Premium on Capital Stock	23,685.00	23,685.00
Installments Paid on Capital Stock	2,454.00	1,997.50
Surplus - Note B	2,433,310.21	2,209,323.20
	\$10,418,749.21	\$ 9,944,405.70
Funded Debt		
First Mortgage Bonds, authorized \$15,000,000.00,		
less \$48,000.00 redeemed through operation of		
sinking fund issuable in series - Note C:		
	\$ 1,800,000.00	\$ 1,800,000.00
31/4% Series, due August 1, 1965	2,752,000.00	2,752,000.00
27/8% Series, due November 1, 1980	1,600,000.00	1,600,000.00
	\$ 6,152,000.00	\$ 6,152,000.00
Current and Accrued Liabilities	w 0,102,000,00	4 0,100,000
	\$ 200,000.00	\$ -0-
	242,413.55	406,058.11
Accounts Payable	272,713.33	400,030.11
ments, subscribers excise taxes, and miscellaneous expenses		
Subscribers' Advance Billings and Payments	113,738.23	86,906.83
Taxes Accrued	1,375,928.81	917,815.93
Unmatured Interest and Dividends	184,758.86	162,997.57
The state of the s	\$ 2,116,839.45	\$ 1,573,778.44
Depresiation Reserve	2,717,918.37	2,552,793.35
Depreciation Reserve		
Total Liabilities	\$21,405,507.03	\$20,222,977.49

Note C—Secured by first mortgage on all telephone plant now owned or hereafter acquired. The Company covenants, while any of such bonds are outstanding, to provide a sinking fund by annual payment to the trustee, in cash or securities, of an amount equal to one per cent of the aggregate principal amount of bonds issued. The Company has the right to substitute 60 per cent of cost or fair value of permanent additions against which additional bonds have not been issued in lieu of cash or securities to meet sinking fund requirements. Sinking fund requirements have been complied with.

Northern Ohio Telephone Company—Bellevue, Ohio

Comparative Statement of Income-Years Ended December 31, 1953, and December 31, 1952

	Dec. 31, 1953	Dec. 31, 1952
Operating Revenues		
Local Service Revenues	3,222,994.09	\$2,603,991.29
Toll Service Revenues	1,942,348.79	1,666,401.60
DIRECTORY ADVERTISING AND SALES	203,106.38	171,183.50
Miscellaneous Revenues	41,940.41	37,796.64
Revenues from rentals, private lines and miscellaneous services	41,740.41	37,770.04
Less Provision for Uncollectible Revenues	12,000.00*	12,000.00*
Total Operating Revenues \$	5,398,389.67	\$4,467,373.03
Operating Expenses		
CURRENT MAINTENANCE	641,939.90	\$ 736,850.85
Cost of repairs, inspections, and rearrangements required to keep plant and equipment in good operating condition		
DEPRECIATION EXPENSE	633,364.44	567,283.61
Provision for decrease in value of telephone plant by reason of wear or obsolescence. This is at the rate of		
approximately 4% of average investment in depreciable		
plant in service during 1953 and 1952		
Traffic Expenses	930,244.11	874,080.78
Operators' wages and other costs in handling messages	277 1/0 20	250 470 00
COMMERCIAL EXPENSES	277,160.20	258,478.99
vertising, pay station commissions and cost of directories		
GENERAL OFFICE EXPENSES	159,220.05	151,249.89
Cost of preparing subscribers bills, general accounting, salaries of officers, and legal expenses		
Other Operating Expenses	196,264.05	203,900.16
Total Operating Expenses	2,838,192.75	\$2,791,844.28
Net Operating Revenue	2,560,196.92	\$1,675,528.75
Operating Taxes		
Federal Taxes on Income (no excess profits taxes) \$	1,056,437.14	\$ 624,789.18
County, State Excise, Social Security and other taxes	394,563.15	368,420.86
Total Operating Taxes	1,451,000.29	\$ 993,210.04
Net Operating Income	1,109,196.63	\$ 682,318.71
Other Income	8,004.77	1,438.02
Net Income Before Fixed Charges \$,117,201.40	\$ 683,756.73
Fixed Charges		
Interest Expense	200,529.03	\$ 158,578.49
Amortization of Discount on Funded Debt	2,053.32	1,541.32
Total Fixed Charges	202,582.35	\$ 160,119.81
Net Income	914,619.05	\$ 523,636.92
* Indicates red figures.		

Northern Ohio Telephone Company—Bellevue, Ohio STATEMENT OF SURPLUS—Year Ended December 31, 1953

Balance at January 1, 1953		\$2,209,323.20 914,619.05
		\$3,123,942.25
Deductions:		
Cash Dividends declared or paid:		
On 5% Preferred Stock-\$5.00 per share	\$ 119,813.54	
On 4½% Preferred Stock—\$4.50 per share	90,007.05	
On 41/4% Preferred Stock-\$4.25 per share	51,000.00	
On Common Stock - \$1.00 per share	213,000.00	
	\$ 473,820.59	
Stock Dividend declared -10% on common stock - 21,300 shares at stated value of \$10.00 per share as ap-		
proved by The Public Utilities Commission of Ohio .	213,000.00	
Amortization of Organization Expense, etc	3,811.45	690,632.04
Balance at December 31, 1953		\$2,433,310.21

Note B—The Company does not segregate its surplus account on the books between unappropriated surplus and other surplus. The surplus account includes amounts resulting from acquisition of properties which were recorded on the books in excess of cost to conform to amounts fixed by The Public Utilities Commission of Ohio.

Under the terms of the Eighth Supplemental Indenture dated November 1, 1952, to the First Mortgage Trust Deed, surplus amounting to \$789,186.84 is available for payment of cash dividends on common stock.

Note D—The contribution under the pension plan for employees of the Company amounted to \$105,337.40 for the year 1953, including a portion of past service costs. At December 31, 1953, the estimated unfunded portion of past service costs amounted to approximately \$607,000.00.

Note E-On February 10, 1954, the authorized capital stock of the Company was increased to 700,000 shares of Common Stock and 100,000 shares of Preferred Stock.

ERNST & ERNST Union Commerce Building—Cleveland, Ohio

Board of Directors, Northern Ohio Telephone Company, Bellevue, Ohio.

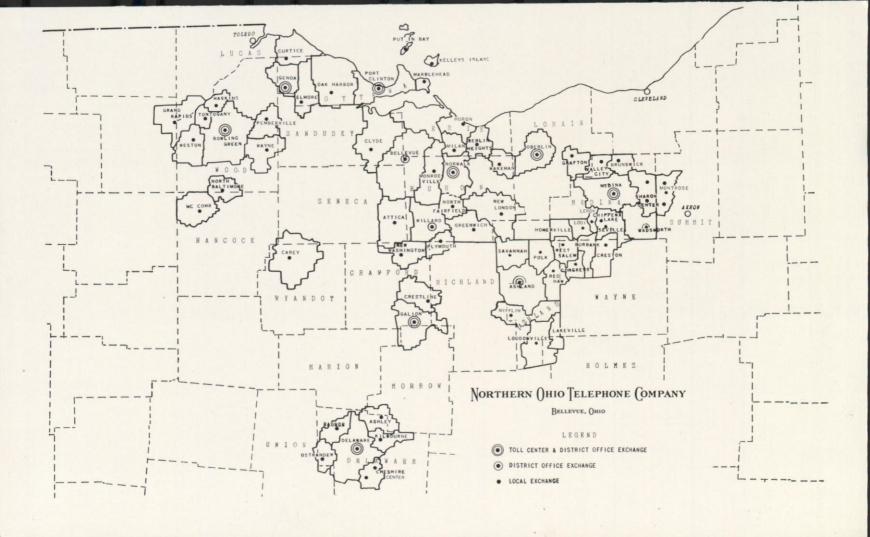
We have examined the balance sheet of Northern Ohio Telephone Company as of December 31, 1953, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of Northern Ohio Telephone Company at December 31, 1953, and the results of its operations for the year then ended, in accordance with accounting principles as prescribed by The Public Utilities Commission of Ohio applied on a basis consistent with that of the preceding year.

ERNST & ERNST Certified Public Accountants

Exchanges of Northern Ohio Telephone Company

			Telephones
Exchange	Type of Service	Jan. 1, 1953	Jan. 1, 1954
Ashland	Automatic	7464	7718
Ashley	Automatic	458	460
Attica	Common Battery	632	650
Bellevue	Automatic	3733	3846
Berlin Heights	Automatic	392	392
Bowling Green	Automatic	4076	4201
Brunswick	Automatic	762	823
Burbank	Automatic	200 1383	200 1378
Carey	Common Battery	331	347
Cheshire Center	Automatic Automatic	291	306
Chippewa Lake	Automatic	2195	2314
Clyde Congress	Automatic	194	198
Crestline	Automatic	1926	1967
Creston	Automatic	504	525
Curtice	Automatic	1337	1504
Delaware	Automatic	5169	5333
Elmore	Automatic	752	800
Galion	Automatic	4441	4587
Genoa	Automatic	886	954
Grafton	Automatic	508	561
Grand Rapids	Magneto	529	541
Greenwich	Automatic	662	695
Haskins	Automatic	185	187
Homerville	Automatic	131	133
Huron	Automatic	1529	1622
Kelleys Island	Automatic	85	89
Kilbourne	Automatic	217	220
Lakeville	Automatic	136	140
Leroy	Automatic	248	267
Lodi	Automatic	958	988
Loudonville	Common Battery	1357	1364
Marblehead	Automatic	538	621
McComb	Magneto	670	684
Medina	Automatic	3659	3898
Mifflin	Magneto	203	217
Milan	Automatic	557	591
Montrose	Automatic	1696	1880
Monroeville	Automatic	670	705
New London	Common Battery	1144	1168
New Washington	Automatic	534	560
North Baltimore	Automatic	922	956
Norwalk	Automatic	4813	4977
Oak Harbor	Automatic	1462	1555
Oberlin	Automatic	2993	3114
Ostrander	Automatic	300	298
Pemberville	Common Battery	508	544
Plymouth	Common Battery	622	639
Polk	Automatic	293	295
Port Clinton	Automatic	3412 219	3760
Put-In-Bay	Automatic	178	213 182
Radnor	Automatic	242	239
Red Haw	Automatic	244	258
Savannah	Automatic	567	573
Seville	Automatic	667	700
Sharon Center	Automatic	192	210
Tontogany Valley City	Automatic Automatic	360	371
Wadsworth	Automatic	4071	4282
Wakeman	Automatic	348	367
Wayne	Automatic	628	659
Weston	Automatic	624	656
West Salem	Automatic	392	393
Willard	Automatic	2374	2418
Total 7	Telephones	79,773	83,293



Northern ()HIO TELEPHONE (OMPANY